

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

North Shore Gas Company	:	
The Peoples Gas Light and Coke Company	:	
	:	10-0237
Petitions Pursuant to Rider VBA of	:	10-0238
Schedule of Rates for Gas Service to	:	(Cons.)
Initiate a Proceeding to Determine the	:	
Accuracy of the Rider VBA	:	
Reconciliation Statement	:	

PROPOSED FORM OF ORDER

By the Commission:

I. PROCEDURAL HISTORY

On March 29, 2010, North Shore Gas Company ("North Shore" or "NSG") and The Peoples Gas Light and Coke Company ("Peoples Gas" or "PGL") (together, the "Utilities") each filed a Petition to initiate an annual reconciliation proceeding to determine the accuracy of the statement that each utility submitted pursuant to Rider VBA of its Schedule of Rates for Gas Service ("Rider VBA"). With their Petitions, North Shore and Peoples Gas each also filed the direct testimony and exhibit of Valerie H. Grace, Manager, Gas Regulatory Services.

The Commission docketed the North Shore filing as Docket No. 10-0237 and the Peoples Gas filing as Docket No. 10-0238. Pursuant to notice, status hearings were held on April 21, 2010, September 9, 2010, and October 21, 2010. At the April 21, 2010 status hearing, the Administrative Law Judge granted the Illinois Commerce Commission Staff's ("Staff") unopposed, oral motion to consolidate the dockets. The Attorney General of the State of Illinois ("Attorney General" or "AG") filed a verified petition to intervene on September 13, 2010.

An evidentiary hearing was held on December 1, 2010. Admitted into the record were the direct testimony and exhibits of Valerie H. Grace, on behalf of each of North Shore (NSG Exs. 1.0 and 1.1) and Peoples Gas (PGL Exs. 1.0 and 1.1). Also admitted into the record were AG Cross Exhibit 1, consisting of Peoples Gas' Rider VBA; AG Cross Exhibit 2, consisting of North Shore's Rider VBA; and AG Cross Exhibit 3, consisting of North Shore's and Peoples Gas' responses to nine data requests.

On _____, the record was marked "Heard and Taken."

On _____, 2010, the following filed initial briefs: _____

On December 29, 2010, the Utilities [other?] filed a draft proposed order.

On _____, 2011, the following filed reply briefs: the Utilities; _____

On _____, the Administrative Law Judge issued a Proposed Order. _____ filed [a brief] [briefs] on exceptions on _____. _____ filed [a reply] [replies] to exceptions brief[s] on _____.

The Commission considers the whole of the record and the arguments presented.

II. ISSUES

A. The Utilities' Position

North Shore's and Peoples Gas' Schedule of Rates for Gas Service each includes Rider VBA, Volume Balancing Adjustment. The Commission approved Rider VBA in its Order, *In re Peoples Gas Co., et al.*, Docket Nos. 07-0241/07-0242 (Cons.) adopted on Feb. 5, 2008. Rider VBA became effective February 14, 2008. NSG Ex. 1.0 at 3; PGL Ex. 1.0 at 3.

Utilities' witness Grace explained that, each month, the Utilities submit a statement to the Commission showing the adjustments to be effective for the next month. Rider VBA applies to Service Classification ("S.C.") Nos. 1 and 2, and, during the reconciliation period, the Utilities calculated separate adjustments for sales and transportation customers within each service classification. No later than March 31, the Utilities must file a statement of the reconciliation adjustment ("RA") components that apply to the nine-month period beginning April 1. Section D of Rider VBA requires that Peoples Gas, at the time it files its reconciliation statement, file a petition seeking initiation of an annual reconciliation to determine the accuracy of the statement. *Id.*

Ms. Grace stated that the reconciliation period is January 1, 2009 through December 31, 2009. *Id.*

Ms. Grace stated that the RA components that will be effective for North Shore's S.C. No. 1 sales customers and transportation customers are a charge of 0.25 cents per therm and a credit of 0.14 cents per therm, respectively. Over the nine-month period beginning April 1, 2010, North Shore will recover \$236,508.23 from S.C. No. 1 sales customers and refund \$7,185.79 to S.C. No. 1 transportation customers. NSG Ex. 1.0 at 7; NSG Ex. 1.1.

Ms. Grace stated that the RA components that will be effective for North Shore's S.C. No. 2 sales and transportation customers are charges of 0.08 cents per therm and 0.22 cents per therm, respectively. Over the nine-month period beginning April 1, 2010, North Shore will recover \$18,106.62 from S.C. No. 2 sales customers and \$76,926.72 from S.C. No. 2 transportation customers. NSG Ex. 1.0 at 7-8; NSG Ex. 1.1.

Ms. Grace stated that the RA components that will be effective for Peoples Gas' S.C. No. 1 sales customers and transportation customers are a charge of 0.60 cents per therm and a credit of 1.54 cents per therm, respectively. Over the nine-month period beginning April 1, 2010, \$2,035,352.60 will be recovered from S.C. No. 1 sales customers and \$360,648.34 will be refunded to S.C. No. 1 transportation customers. PGL Ex. 1.0 at 7; PGL Ex. 1.1.

Ms. Grace stated that the RA components that will be effective for Peoples Gas' S.C. No. 2 sales and transportation customers are charges of 0.30 cents per therm and

0.41 cents per therm, respectively. Over the nine-month period beginning April 1, 2010, \$518,632.10 will be recovered from S.C. No. 2 sales customers and \$836,751.03 will be recovered from S.C. No. 2 transportation customers. PGL Ex. 1.0 at 7-8; PGL Ex. 1.1.

In addition, the Utilities each filed a supplement to their Petitions showing their rates of return ("ROR") and their returns on equity ("ROE") with and without Rider VBA. Those data are:

	With Rider VBA		Without Rider VBA	
	ROR	ROE	ROR	ROE
North Shore	4.74%	4.32%	5.08%	4.93%
Peoples Gas	4.29%	4.05%	4.59%	4.58%

B. Staff's Position

Staff did not file testimony. At the September 9, 2010, and October 21, 2010 status hearings and December 1, 2010 hearing, Staff counsel stated that Staff had no objection to the relief requested in the Petitions being granted.

C. AG's Position

The AG did not file testimony.

III. COMMISSION ANALYSIS AND CONCLUSION

IV. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) North Shore Gas Company is an Illinois corporation engaged in the distribution of natural gas to the public in the State of Illinois and, as such, is a public utility within the meaning of the Public Utilities Act;
- (2) The Peoples Gas Light and Coke Company is an Illinois corporation engaged in the distribution of natural gas to the public in the State of Illinois and, as such, is a public utility within the meaning of the Public Utilities Act;
- (3) the Commission has jurisdiction over North Shore and Peoples Gas and of the subject matter of this proceeding;
- (4) the recitals of fact and the conclusions reached in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (5) Peoples Gas and North Shore each filed a reconciliation of rate case margin revenue and actual margin revenue under Rider VBA, Volume Balancing Adjustment, of its Schedule of Rates, for the period January 1, 2009, through December 31, 2009;

- (6) neither Staff nor any party opposed the accuracy of the reconciliation statements;
- (7) the RA components that each of North Shore and Peoples Gas implemented for the nine-month period beginning April 1, 2010, are uncontested;
- (8) North Shore's return on equity for 2009 including Rider VBA results was 4.32% and excluding Rider VBA results was 4.93%, and its rate of return for 2009 including Rider VBA was 4.74% and the rate of return excluding Rider VBA was 5.08%;
- (9) Peoples Gas' return on equity for 2009 including Rider VBA results was 4.05% and excluding Rider VBA results was 4.58%, and its rate of return for 2009 including Rider VBA was 4.29% and the rate of return excluding Rider VBA was 4.59%; and
- (10) all motions, petitions, objections or other matters in this proceeding which remain undisposed of should be disposed of consistent with the conclusions herein.

IT IS THEREFORE ORDERED that, North Shore's and Peoples Gas' reconciliation statements and the Reconciliation Adjustments are approved;

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this _____ day of _____, 2011.

(SIGNED)

[Acting] Chairman